

MSWG

MINORITY SHAREHOLDER WATCHDOG GROUP

Badan Pengawas Pemegang Saham Minoriti Berhad

Incorporated in Malaysia * Company No. 524898-M

The Observer

11 April 2013

MESSAGE FROM THE CEO



The stock market appears to be holding out well at 1694 points since the announcement of Parliament's dissolution. With a clearer direction, the market appears to respond well to the news. The announcement of nomination and polling day which is set to be on April 20 and May 5 would further augment the stability of the market.

On MISC, Petronas announced that it would revise its earlier offer price of RM5.30 to RM5.50 an extra 20 sen. While we welcome any increase, we hope that it would be around RM5.70 which is the lower end of the SOP valuation as recommended by the IA. Minorities could negotiate perhaps for an added 20 sen dividend to top up the difference between RM5.50 against RM5.70 (minimum SOP value). In spite of this increase, there appears to be a possibility that the remaining non-interested shareholders who have not accepted the offer might still resist the new offer. (Kindly read our views on this in the Quick Take of this newsletter.)

On the speculation as to who would assume the role of Chairman over at MSWG, we welcome the market views that the candidate must have sound knowledge on corporate governance and that he or she must be one that has ability to lead and a person of strong integrity and moral conviction. This shows that MSWG is under the constant scrutiny of the public and rightly so as it has grown into an important and influential organisation in our capital market.

As for Air Asia's penetration into the Indian market, we are hopeful that the Company would be able to see the fruits in the long term despite the challenges there. (Refer to our comments under the Quick Take section).

Lastly we wish to offer our condolences to the people of the UK on the passing of Margaret Thatcher the Iron Lady of Great Britain, Monday 8th April 2013. A remarkable woman whom I admire was also responsible for the privatisation of many of Britain's nationalised industries that had taken place during the early 1980's including British Rail, Rolls Royce just to name a few. Her contributions to the general society would always be remembered undisputedly.

Regards...

Rita

CEO IN THE NEWS

OUR TAKE ON ONGOING CORPORATE TRANSACTIONS

MISC BERHAD

MSWG Comments:

Petronas has revised its original offer from RM5.30 to RM5.50 over the weekend. This came on the heels of market expectations which deemed the earlier original bid as too low for investors liking. The increase in takeover offer price would increase Petronas outlay by RM400 million to RM9.2 billion. Petronas did not offer any particular reason but we believe that it could be due to institutional investors' unhappiness especially EPF over its earlier offer price. EPF holds the cards in the deal particularly because of its vantage position amongst the non-interested shareholders, holding some 9.5%.

Our assessment on the new offer price reveals the following observations:

- I. The new offer price of RM5.50 is an increase of 3.77% over the original offer price of RM5.30.*
- II. The price of RM5.50 is still outside the fair range of values as highlighted by independent adviser AmInvestment Bank said to be between RM5.69 to RM6.10 according to its sum of parts (SOP) valuation. Compared to the lower end of the range of RM5.69, the new offer price is a discount of 3.33%.*
- III. Other Observations:*
 - 1. In order to entice the expectations of minorities into accepting the offer it would be in the best interest of Petronas to notch the price up to at least RM5.70 being the lowest end of range of values under the SOP valuation by adding an additional dividend of RM0.20 sen to the new offer price.*
 - 2. Petronas should also take cognisance that some of the institutional funds are duty bound to their stakeholders, many of whom constitute the general public. They have a certain duty of care to these stakeholders to ensure that their hard earned savings are well protected. On the presumption that the same institutional funds had subscribed to the earlier rights and taking into account the cost of investments, the institutional funds would have been in a negative position. Hence the request from institutional funds to cover the deficit of their investments, if any, makes absolutely perfect sense and equitable to minorities.*
 - 3. However if minorities, whether institutional or retail feels that the price is attractive enough for them to accept the offer, they may wish to do so if they feel comfortable to exit and seek other high yielding investments elsewhere.*

Air Asia

Air Asia has obtained approvals from Indian regulators over its purchase of a 49% stake in Air Sia (India) Private Limited, which would pave a way for it to make inroads into the Indian sub-continent market. The approval would also result in Air Asia partnering up with two other giants namely industrial player Tata Sons Ltd and Arun Bathia of Telestrade Tradeplace Private Limited. Simultaneously with such consent, Air Asia through its JV Company can now seek an aviation licence to operate a full fledged airline. Air Asia is confident it can replicate its previous success in the Indian market based on its proven track record in the Asean region.

MSWG Comments:

Air Asia believes it can do well in the lucrative Indian market, one of the world's populous nations. The market has long term potential growth where aviation travel is concerned. The only concern would be on how it can contend with the challenges of the said market as there have been many cases of costly misadventures to some of Malaysian investors.

MSWG's WATCHLIST

Gadang

Gadang secured its first PR1MA affordable home project this week estimated to be RM1.02 billion. Spanned over eight years, the contract is anticipated to rake in RM100 million per year. The deal will essentially entail Gadang developing 43.7 ha of prime land in Cyberjaya on a joint venture basis with Cyberview Sdn Bhd. Cyberview is land owner of the said development. The GDV for the phase 1 is expected to be around RM140.9 million to comprise mixed residential development which includes 325 apartment units and 125 double storey terrace houses.

KSK

KSK's major shareholder Tan Sri Kua Sian Kooi (TSK) announced his intention to privatise KSK Berhad this week following a notice to the Board. In a letter, TSK has proposed an SCR via Section 64 of the Companies Act, 1965 to be followed by a repayment to shareholders thereafter. According to the Company's announcement the SCR would involve a proposed offer of RM0.65 per KSK share to non interested shareholders. For the deal to be approved, the scheme must be approved by at least 50% in number of shareholders and 75% in value to the votes attached to the non-interested shares that are cast at an EGM and the value of the votes cast against the resolution is not more than 10% of the votes attaching to all non-interested shares. The SCR offer price of RM0.65 sen is a 17% discount from the Company's current NAV of RM0.78 sen.

MMC

MMC was notified by Saudi Arabian General Investment Authority (SAGIA) that its Jazan Economic City project worth around USD30 billion (RM93.8 billion) with Saudibin Ladin Group has been effectively terminated. The termination was a result of circumstances which gave rise to several difficulties that interrupted the progress of the said project. We await further development from the Company on the matter.

Disclosure of Interests

· *With regard to the companies mentioned, MSWG holds a minimum number of shares in all these companies covered in this newsletter.*

Local News and Developments

Ringgit set for more gains

http://www.btimes.com.my/Current_News/BTIMES/articles/20130405002913/Article/index.html

Index seen hitting 1720 points

http://www.btimes.com.my/Current_News/BTIMES/articles/CITI/Article/

Global News and Developments

UBS mystery lender in Ping An deal

<http://www.reuters.com/article/2013/04/04/us-cp-ubs-idUSBRE9330WV20130404>

Finland turns to venture capital funds

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TWO DAYS SEMINAR on "FORENSIC ACCOUNTING"



MR. PRABHAT KUMAR
FACILITATOR
FCA, B Com (H), DIFA, CFE

MSWG will be holding a two-day seminar themed, “**FORENSIC ACCOUNTING**”, on **8th & 9th May 2013** to be held at **Centre of Excellence 1, Mezzanine Floor, Hotel Istana Kuala Lumpur**.

This course combines fraud accounting and investigative techniques and explains to the participants the nature of occupational fraud, how to detect fraudulent activities, and most importantly how to identify red flags so that an initial investigation may be conducted to ascertain the wrongdoing if there is any.

The course will be conducted by a leading expert in this field, **Mr Prabhat Kumar** who brings his unparalleled expertise in the domain of occupational fraud investigation. The details of the programme are as follows:

Seminar Details

Date : 8th & 9th May 2013

REGISTRATION FEE : RM2,000 PER PARTICIPANT

SPECIAL OFFER : MSWG SUBSCRIBERS (30% Discount)

: GROUP REGISTRATION (10% Discount)

*No complimentary seats for subscribers

*Early Bird discount only for non-subscribers

Venue : Centre Of Excellence 1, Mezzanine Floor Hotel Istana, Kuala Lumpur

[Click here to view more details and Registration Form.](#)

Register **NOW** for this exciting and informative event!

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